

**Hospital Service District Number One  
of the Parish of LaSalle, State of Louisiana  
Olla, Louisiana**

**General-Purpose Financial Statements  
September 30, 2003**



**Hospital Service District Number One of the  
Parish of LaSalle, State of Louisiana  
General-Purpose Financial Statements**

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## Independent Auditors' Report

Board of Commissioners  
Hospital Service District Number One  
of the Parish of Lafaille  
State of Louisiana  
Orla, Louisiana

We have audited the accompanying general-purpose financial statements of the Hospital Service District Number One of the Parish of Lafaille, State of Louisiana, (the District) a component unit of the Lafaille Parish Police Jury, as of and for the years ended September 30, 2002 and 2001. These general-purpose financial statements are the responsibility of the Board of Commissioners of the District. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the District as of September 30, 2002 and 2001, and the results of its operations and the cash flows of the proprietary type funds for the years then-ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 7, 2003, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general-purpose financial statements taken as a whole.

Also, the accompanying other information as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements. Such information has not been subject to the auditing procedures applied to the audit of the general-purpose financial statements and, accordingly, we express no opinion on it.

*Allen, Green + Williamson, LLP*

ALLEN, GREEN & WILLIAMSON, LLP

Metairie, Louisiana

February 7, 2005

HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE  
PARISH OF LABALLE, STATE OF LOUISIANA  
Orla, Louisiana

ALL PROPRIETARY TYPE FUNDS  
COMBINED BALANCE SHEET  
September 30, 2003 and 2004

ASSETS	Enterprise Funds	
	2003	2004
<b>CURRENT ASSETS</b>		
Cash and cash equivalents		
Cash, checking	\$ 48,141	\$ 128,248
Certificates of deposit	800,107	0
Total cash and cash equivalents	848,248	128,248
Receivables		
Patient services, net of allowances of \$5,000,000	2,100,847	2,040,800
Estimated third-party payor reimbursements	657,809	100,391
Disproportionate Share Pool Payments	400,300	550,000
Interest	18,812	100
Fees	210	400
Miscellaneous	301	348
Supplies	100,248	108,078
Prepaid expenses	17,817	8,880
Total current assets	4,135,835	2,968,372
<b>ASSETS WHOSE USE IS LIMITED</b>		
By agreement with third party payors for capital improvements and funded depreciation	04,007	03,108
Under revenue bond agreement		
Revenue bond and interest sinking account	128,078	91,000
Revenue bond reserve account	100,000	104,200
Depreciation and contingency fund	14,007	14,408
Total assets whose use is limited	246,092	209,716
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Land	4,010	4,010
Land improvements	30,300	30,300
Buildings	1,800,310	1,800,300
Equipment, furniture and fixtures	2,400,881	2,404,800
Less accumulated depreciation	(3,485,450)	(3,500,100)
Total property, plant and equipment, net of accumulated depreciation	811,851	739,310
<b>TOTAL ASSETS</b>	<b>\$ 4,393,782</b>	<b>\$ 3,917,792</b>

(Continued)

HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE  
PARISH OF LABALLE, STATE OF LOUISIANA  
ORA, Louisiana

ALL PROPRIETARY TYPE FUNDS  
COMBINED BALANCE SHEET  
September 30, 2002 and 2001

Statement A

LIABILITIES, EQUITY AND OTHER CREDITS	Enterprise Funds	
	2002	2001
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable	\$ 845,780	\$ 545,483
Salaries payable	54,400	31,089
Accrued expense	172,881	0
Current portion of capital leases	89,879	89,248
Accrued vacation payable	<u>28,008</u>	<u>28,008</u>
Total current liabilities payable from unrestricted assets	<u>1,170,948</u>	<u>693,828</u>
Payable from assets whose use is limited		
Revenue bonds payable	88,000	68,000
Accrued bond interest payable	<u>27,217</u>	<u>38,248</u>
Total current liabilities payable from restricted assets	<u>115,217</u>	<u>106,248</u>
Total current liabilities	<u>1,286,165</u>	<u>800,076</u>
NONCURRENT LIABILITIES		
Revenue bonds payable	806,800	806,800
Capital leases	<u>68,890</u>	<u>67,984</u>
Total noncurrent liabilities	<u>875,690</u>	<u>874,784</u>
Total liabilities	<u>2,161,855</u>	<u>1,674,860</u>
<b>EQUITY AND OTHER CREDITS</b>		
Contributed capital	<u>1,881,731</u>	<u>1,881,731</u>
Retained earnings:		
Reserved for revenue bond		
Sinking account	120,878	81,833
Reserve account	110,873	104,233
Depreciation and capital improvement	14,687	14,408
Unreserved	<u>1,885,282</u>	<u>1,884,114</u>
Total retained earnings	<u>2,111,538</u>	<u>1,984,484</u>
Total equity and other credits	<u>3,993,269</u>	<u>3,866,215</u>
<b>TOTAL LIABILITIES, EQUITY AND OTHER CREDITS</b>	<u>\$ 3,993,269</u>	<u>\$ 3,866,793</u>

(Continued)

See accompanying notes to the financial statements.

HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE  
PARISH OF LA SALLE, STATE OF LOUISIANA  
Orla, Louisiana

ALL PROPRIETARY TYPE FUNDS  
COMBINED STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN RETAINED EARNINGS  
For the Years Ended September 30, 2002 and 2001

Statement 0

	Enterprise Funds	
	2002	2001
<b>OPERATING REVENUES</b>		
Net patient service revenues	1 0,890,844 \$	5,873,090
Contributions from Ambulance Service District	75,000	41,800
State of Louisiana, Disproportionate Share Pool Payments	480,829	600,000
Emergency Service Grant	4,375	0
Washing machine commissions	3,400	2,175
Spatial license	120,000	191,887
Cablevision sales	70,000	17,587
<b>Total revenues</b>	<u>1,575,447</u>	<u>6,786,352</u>
<b>OPERATING EXPENSES</b>		
Daily patient services	556,000	875,187
Burning services	1,087,671	1,788,216
Other professional services	1,788,488	1,793,687
General services	946,404	984,878
Administrative and fiscal services	482,216	522,216
Employee benefits	381,780	379,721
Depreciation	157,508	158,188
Provision for bad debts	688,118	484,583
Interest expense	28,287	81,772
<b>Total expenditures</b>	<u>8,024,758</u>	<u>8,004,808</u>
<b>OPERATING INCOME (LOSS)</b>	<u>650,689</u>	<u>188,482</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest revenue		
Unrestricted assets	21,000	3,375
Assets whose use is limited	8,042	8,012
Other	8,306	2,811
<b>Total nonoperating revenues (expenses)</b>	<u>37,348</u>	<u>14,200</u>
<b>NET INCOME</b>	<u>718,037</u>	<u>202,682</u>
<b>RETAINED EARNINGS, BEGINNING OF YEAR</b>	<u>1,304,808</u>	<u>1,186,416</u>
<b>RETAINED EARNINGS, END OF YEAR</b>	<u>\$ 2,111,885 \$</u>	<u>1,304,808</u>

See accompanying notes to the financial statements.



HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE  
PARISH OF LABALLE, STATE OF LOUISIANA  
Orla, Louisiana

ALL PROPRIETARY TYPE FUNDS  
COMBINED STATEMENT OF CASH FLOWS  
For the Years Ended September 30, 2002 and 2001

Extension Funds  
2002 2001

CASH FLOWS FROM OPERATING ACTIVITIES

Income (loss) from operations	\$ 60,418	\$ 158,492
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Provision for bad debts	729,400	454,560
Depreciation expense	187,866	155,160
Interest paid on capital and related financing activities	29,887	61,772
(Increase) (decrease) in:		
Accounts receivable, patient services	(777,338)	(888,834)
Accounts receivable, third-party payor settlements	(487,470)	81,835
Accounts receivable, Disproportionate Share Pool Payments	0,000	(182,200)
Supplies	(34,273)	3,213
Prepaid expenses	(7,877)	47,738
Other	(76,423)	1,380
Increase (decrease) in:		
Accounts payable, trade	270,210	141,804
Salaries payable	23,237	13,877
Accrued expense	173,581	0
Total adjustments	26,482	(220,880)
Net cash provided by (used in) operating activities	\$ 786,386	\$ 491,394

(Continued)

HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE  
PARISH OF LABALLE, STATE OF LOUISIANA  
Orla, Louisiana

ALL PROPRIETARY TYPE FUNDS  
COMBINED STATEMENT OF CASH FLOWS  
For the Years Ended September 30, 2000 and 2001

Statement C

	Enterprise Funds	
	2000	2001
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of property, plant and equipment	\$ 155,155	\$ (329,435)
Proceeds from sale of capital assets	0	0
Other revenues	5,794	3,811
Capital lease obligations:		
Principal	(55,145)	285,887
Hospital revenue bonds:		
Principal	(55,085)	(55,085)
Interest	(23,500)	
Compensated absences	18,553	(54,084)
	<u>118,062</u>	<u>(227,896)</u>
Net cash used in capital and related financing activities		
	<u>118,062</u>	<u>(227,896)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease (increase) in restricted assets	(35,872)	48,883
Interest received	29,807	9,083
	<u>5,935</u>	<u>57,966</u>
Net cash provided by investing activities		
	<u>5,935</u>	<u>57,966</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	<u>\$20,859</u>	<u>(169,930)</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		
	<u>133,249</u>	<u>303,179</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		
	<u>\$ 154,108</u>	<u>\$ 133,249</u>
(Continued)		

See accompanying notes to the financial statements.

**Hospital Service District Number One of the  
Parish of Leflore, State of Louisiana  
Notes to the General-Purpose Financial Statements  
September 30, 2002**

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**Hospital Service District Number One of the  
Parish of LaSalle, State of Louisiana  
Notes to the General Purpose Financial Statements  
September 30, 1982**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** The Hospital Service District Number One of the Parish of LaSalle, State of Louisiana, (the District), was created by the LaSalle Parish Police Jury, and operates Hardaway Medical Center through its Board of Commissioners. Hardaway Medical Center is a 41-bed hospital located in Olla, Louisiana, providing health care services to residents of Olla and the surrounding communities. In addition, the District provides office space on a rental basis to several physicians who serve patients of the hospital.

The District is governed by a Board of Commissioners composed of five members. Mr. Paul Mathews, Administrator of the Hospital, serves as secretary and treasurer of the Board.

Board members who served during the fiscal year and the amount of compensation received by each are presented below in compliance with House Concurrent Resolution No. 14 of the 1979 Session of the Louisiana Legislature.

Mr. Lee Richardel, Chairman	\$ 488
Mrs. Irma Turral, Vice-Chairman	488
Mr. M. L. Berksdale	488
Mr. Benny Ziegler	488
Mr. Joe Wilham	488
	<u>\$1,400</u>

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body establishing governmental accounting and financial reporting principles. The more significant of the Hospital Service District's accounting policies are described below.

**A. REPORTING ENTITY** The District is a component unit of the LaSalle Parish Police Jury, the reporting entity. The LaSalle Parish Police Jury is the governing authority of the parish of LaSalle, Louisiana, and is governed by a board of police jurors elected by the public. Under the provisions granted by the Louisiana statutes, the police jury created the District and appoints the members of its Board of Commissioners. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the LaSalle Parish Police Jury, or other governmental units that comprise the financial reporting entities.

**B. FUND ACCOUNTING** The accounts of the District are organized on the basis of funds each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses. The funds presented in the financial statements are described as follows:

**Enterprise Funds** The following enterprise funds are proprietary fund types that account for activities similar to those found in the private sector, where the determination of net income is necessary and useful to sound financial administration:

**Operations and Maintenance** The District provides various services to the doctors of the District through the use of this fund. In an effort to retain doctors, the District provides buildings for the doctors' use. The doctors are charged a monthly rent for the use of these buildings.

**Hospital Service District Number One of the  
Parish of Lafourche, State of Louisiana  
Notes to the General-Purpose Financial Statements  
September 30, 2002**

**Commissions** In order to control the collections and reduce costs, the District engages an outside vending company to handle the commissions. All activities of the collection fund are conducted by an outside agency who pays the District a stated percentage of gross collections.

**Hardiner Medical Center** This fund accounts for the operations of the Medical Center. Its purpose is to provide needed health care services to persons within the district.

**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

**Enterprise Funds** The enterprise funds are reported on the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The District has elected pursuant to GASB Statement No. 26, to apply all GASB pronouncements and only FASB pronouncements issued before November 30, 1989. Patient service revenue, etc., are recognized as follows:

**Net Patient Service Revenue** Net patient service revenue is patient revenue reported at Hardiner Medical Center's established rates less contractual adjustments and policy discounts. Retrospective adjustments arising under reimbursement agreements with third-party payers are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

The District has agreements with third-party payers that provide for reimbursement to the District at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the District's established rates for services and amounts reimbursed by third-party payers. A summary of the basis of reimbursement with major third-party payers follows:

**Medicare** Inpatient care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Certain outpatient services and defined capital costs related to Medicare beneficiaries are paid based upon a cost reimbursement method. The District is paid for outpatient cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits by the Medicare fiscal intermediary. Cost reports through September 30, 2001 have been audited. The report for September 30, 2002 was filed on February 28, 2003.

**Medicaid** Inpatient services rendered to Medicaid program beneficiaries are reimbursed on prospectively determined rates. Most outpatient services rendered to Medicaid program beneficiaries are reimbursed based upon a cost reimbursement methodology. The District is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary. The District's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through September 30, 1999.

The state Medicaid Program made partial interim payments based on cost report figures without considering per-discharge limitations and incentive payments pending approval of this payment plan by the Health Care Financing Administration. The state of Louisiana recently settled cost reports for prior years after reaching a agreement with the federal government regarding reimbursement methodology and upon appropriations of funds by the state legislature.

**Hospital Service District Number One of the  
Parish of LaSalle, State of Louisiana  
Notes to the General-Purpose Financial Statements  
September 30, 2001**

**Blue Cross.** Inpatient services rendered to Blue Cross subscribers are reimbursed at an all-inclusive daily per diem rate. The prospectively determined per diem rates are not subject to retrospective adjustments.

**Civilian Health and Medical Program of the Uniformed Services (CHAMPUS).** Inpatient and outpatient services rendered are reimbursed on the same basis used by Medicare.

**Charity.** Title VI (Hill-Burton) of the Public Health Act Regulations required hospitals to provide free care to patients who were unable to pay.

Hachmar Medical Center completed its twenty-year obligation of providing free care under Hill-Burton. A policy for providing continuing charity care for future years has not been established.

**Net patient service revenue.** Following is a summary of contractual and other adjustments to arrive at net patient service revenue:

	2001	2000
Gross patient service revenue	\$ 11,783,949	\$ 8,641,273
Less contractual adjustments:		
Medicare	(3,305,161)	(2,186,497)
Medicaid	(1,128,290)	( 599,799)
Other third parties	(645,717)	( 399,663)
Total contractual adjustments	(4,979,168)	(2,785,959)
Net patient service revenue	<u>\$ 6,804,781</u>	<u>\$ 5,855,314</u>

Approximately fifty-five to sixty percent of the net patient service revenue comes from Medicare and Medicaid billings.

**Ad Valorem Taxes** are susceptible to appeal.

**Contributions.** Contributions from the LaSalle Parish Ambulance Service District for operation of the ambulances are treated as operating revenues. Unrestricted donations are treated as nonoperating revenues when received.

**D. BUDGET PRACTICES.** The District maintains only enterprise funds in its accounting system and is not subject to the Louisiana Local Government Budget Act or the requirements of accounting principles generally accepted in the United States of America that require budget to actual comparisons. Therefore, budget to actual comparisons, usually found in the financial statements of governmental entities, are not included in these statements.

**E. ENCUMBRANCES.** The District does not use a formal system of encumbrance accounting.

**Hospital Service District Number One of the  
Parish of LaSalle, State of Louisiana  
Notes to the General-Purpose Financial Statements  
September 30, 2012**

**F. CASH AND CASH EQUIVALENTS** Cash includes amounts in demand deposits and interest-bearing demand deposits, and time deposit accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less.

The District deposits its funds in fiscal agent banks organized under the laws of the state of Louisiana, or the laws of the United States of America.

**G. INVESTMENTS** Investments are bank certificates of deposit that are valued at cost which approximates market. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

**H. SUPPLIES** Inventories of supplies and minor equipment are valued at lower of cost (first-in, first-out) or latest service price.

**I. ASSETS WHOSE USE IS LIMITED** Assets whose use is limited include funds set aside in accordance with agreements with third-party payors and funds held in accordance with the provisions of a revenue bond agreement.

**J. PROPERTY, PLANT AND EQUIPMENT** Property and equipment acquisitions are recorded at cost. Property and equipment donated for the District's operations are valued at their fair market value on the date received.

All exhaustible property and equipment are shown in the accompanying balance sheet at their original costs, less accumulated depreciation. Depreciation is recorded on the straight-line method over the estimated useful lives, as follows:

Land improvements	12-29 years
Buildings	15-40 years
Fixed equipment	5-20 years
Major movable equipment	3-20 years

**K. LONG-TERM DEBT** Long-term liabilities expected to be financed from proprietary fund operations, Hardwar Medical Center, are accounted for in the enterprise fund.

**L. USE OF ESTIMATES** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**Hospital Service District Number One of the  
Parish of LaSalle, State of Louisiana  
Notes to the General-Purpose Financial Statements  
September 30, 2002**

**NOTE 2 - DEPOSITS** At September 30, 2002, the District had deposits (book balances) as follows:

Demand deposit	\$191,899
Post-dated	300
Certificates of deposit	<u>759,714</u>
Total	<u>\$948,133</u>

Total deposits consist of the following balances on Statement A - Combined Balance Sheet, as of September 30, 2002:

Cash and cash equivalents	\$648,208
Assets whose use is limited under revenue bond agreement by agreement with third-party payors for capital improvements and funded depreciation	54,547
Under revenue bond agreement:	
Revenue bond and interest sinking account	120,178
Revenue bond reserve account	130,073
Depreciation and contingency fund	<u>14,687</u>
Total	<u>\$948,133</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At year-end, the District's carrying amount of deposits was \$948,133 and the bank balance was \$975,111. Of the bank balance, \$421,126 was covered by federal depository insurance or by collateral held by the District's agent in the District's name (GASB Category 1). The remaining balance, \$552,785 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name (GASB Category 2).

These deposits are considered *uncollateralized* (Category 2) under the provisions of GASB Statement 3. However, Louisiana Revised Statute 39:1228 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

**NOTE 3 - ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS** Accounts receivable - patients, include unpaid amounts billed to discharged patients and third-party payors such as insurance companies and the fiscal intermediaries of the Social Security Administration on behalf of patients eligible for benefits under Title XVII and XIX of the Social Security Act. Also included are contractual charges for those patients not discharged at September 30, 2002.



**Hospital Service District Number One of the  
Parish of LaSalle, State of Louisiana  
Notes to the General Purpose Financial Statements  
September 30, 2002**

**NOTE 4- ASSETS WHOSE USE IS LIMITED** In accordance with Medicare regulations, the Board has limited the use of the following assets for capital improvement and limited depreciation. These funds are kept on deposit with local banks as shown below.

<u>Bank</u>	<u>Rate</u>	<u>2002</u>	<u>2001</u>
<u>Bank of Louisiana</u>	<u>7%</u>	<u>Amount</u>	<u>Amount</u>
		<u>\$54,562</u>	<u>\$50,239</u>

The District increased its capital improvement and limited depreciation accounts approximately \$888.

The District is required to make monthly deposits into the following funds under the FELA loan agreement:

	<u>Monthly</u>	<u>2002</u>	<u>2001</u>
		<u>Balance</u>	<u>Balance</u>
Revenue bond and interest sinking account	\$7,542	\$126,378	\$ 91,833
Revenue bond reserve account	0	110,873	104,233
Depreciation and contingency fund	770	14,607	14,428
<b>Subtotal</b>	<u>\$8,312</u>	<u>\$141,758</u>	<u>\$110,494</u>
<b>Total assets whose use is limited</b>	<u>\$8,312</u>	<u>\$141,758</u>	<u>\$110,494</u>

These monies are in interest-bearing accounts and are included in the balance sheet as assets whose use is limited. There is a required amount of \$99,000 maintained in the revenue bond reserve account. Payments into the depreciation and contingency fund shall continue and are to be used only for replacement and repairs. The revenue bond reserve account is used to make annual principal and interest payments. All required deposits to these funds have been made. Some of the deposits were made after year end.

**NOTE 5 - CONTINGENCIES** The District evaluates contingencies based upon the best available evidence. The District believes that no allowances for loan contingencies are considered necessary. To the extent that resolution of contingencies results in amounts which vary from the District's estimates, future earnings will be charged or credited.

**Third-Party Government-Based Revenues** Cost reimbursements are subject to examination by agencies administering the programs. Effective October 1, 1983, the Medicare program discontinued its cost-based reimbursement system for inpatient services. Under the program, the District receives a fixed fee for each patient, which is determined by the government. The District is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations, and general instructions of those programs. The amount of such adjustments cannot be determined.

Federal and state budget restraints are increasing the time period taken to pay Medicare and Medicaid claims and the Medicaid program is delaying payment of year-end statements.

**Hospital Service District Number One of the  
Parish of LaSalle, State of Louisiana  
Notes to the General-Purpose Financial Statements  
September 30, 2002**

The health care industry is subject to numerous laws and regulations of Federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participating requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in penalties from government healthcare programs together with the imposition of significant fines and penalties, as well as significant payments for patient services previously billed. Management believes that the District is in compliance with fraud and abuse statutes as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

**Self-Insurance:** The District became partially self-insured for employees' group and health insurance coverage on June 1, 2002. Claims are funded through employee contributions and operating funds of the District. The District maintains stop-loss coverage with an insurance company for claims in excess of \$25,000 per claim for each employee. All known claims filed and an estimate of insured but not reported claims based on experience of the District are made and accrued as necessary in the financial statements. The estimate of insured but not reported claims at September 30, 2002 was not material; therefore, no accrual was made.

**Litigation:** The District is a defendant in several lawsuits. Management and legal counsel for the District believe that the potential claims against the District not covered by insurance would not materially affect the District's combined financial position.

**NOTE - 6 - PENSION PLAN** Employees of the Harbort Medical Center are covered by the Federal Social Security System. The Hospital provides administrative assistance to its employees who participate in a salary reduction plan under Section 408(a) of the Internal Revenue Code. However, the District does not contribute to the plan.

**NOTE - 7 - PROPERTY AND EQUIPMENT** The changes in property, plant and equipment are as follows:

	Balance <u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Ending</u>
Land	\$ 4,815	\$ 0	0	\$ 4,815
Land improvements	38,339	0	0	38,339
Buildings	1,598,804	11,811	0	1,610,615
Equipment, furniture and fixtures	2,484,808	46,721	0	2,531,529
Total	<u>4,028,762</u>	<u>58,532</u>	<u>0</u>	<u>4,087,294</u>
Less accumulated depreciation:				
Land improvements	39,808	339	0	39,399
Buildings	1,252,837	44,513	0	1,297,350
Equipment, furniture and fixtures	1,297,858	112,488	0	1,410,346
Total	<u>3,388,503</u>	<u>157,360</u>	<u>0</u>	<u>3,545,863</u>
Property, plant and equipment, net	<u>\$ 640,259</u>	<u>\$ 42,172</u>	<u>\$ 0</u>	<u>\$ 682,431</u>

Hospital Service District Number One of the  
Parish of LaSalle, State of Louisiana  
Notes to the General-Purpose Financial Statements  
September 30, 2003

**NOTE 8 - LONG-TERM DEBT** Funding for a 1981 expansion program was provided by the issuance of \$1,378,000 revenue bonds and \$348,000 (earnings accumulated by the District. The bonds bear interest at five percent per annum and are payable over a period of 40 years. They were acquired by the Parish Home Administration and are secured by a pledge of income, revenues and receipts derived by the District.

The following is a summary of long-term debt principal transactions for the year ended September 30, 2003:

	Revenue Bonds	
	2002	2001
Balance, beginning of year	\$635,000	\$718,000
Reversed	60,000	15,000
Balance, end of year	<u>\$575,000</u>	<u>\$813,000</u>

Scheduled annual debt service requirements are as follows:

Year Ending September 30,	Revenue Bonds
2003	\$ 89,750
2004	91,750
2005	88,800
2006	90,250
2007	91,750
2008-2010	<u>288,500</u>
Total payments	718,500
Less amount representing interest	<u>(143,500)</u>
Total principal outstanding	<u>\$ 575,000</u>

Bond principal and interest payable in the next fiscal year are \$68,800 and \$29,750, respectively.

**NOTE 9 - CAPITAL LEASE OBLIGATIONS** The District records lease under capital leases as an asset and an obligation in the accompanying financial statements. The following is an analysis of equipment under capital lease:

Trax	
X-ray system	\$121,218
Ultrasound equipment	<u>75,300</u>
Total	<u>\$196,518</u>

**Hospital Service District Number One of the  
Parish of LaSalle, State of Louisiana  
Notes to the General-Purpose Financial Statements  
September 30, 2002**

The following is a schedule of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, as of September 30, 2002:

<u>Years ending September 30,</u>	<u>X-Ray Systems</u>	<u>Ultrasound Equipment</u>	<u>Total</u>
2003	\$ 42,965	\$34,913	\$ 77,878
2004	42,965	17,257	60,222
2005	<u>18,384</u>	<u>4,791</u>	<u>23,175</u>
Total minimum lease payments	104,314	56,961	161,275
Less amounts representing interest	<u>12,911</u>	<u>6,338</u>	<u>19,249</u>
Present value of net minimum lease payments	<u>\$ 91,403</u>	<u>\$ 50,623</u>	<u>\$ 142,026</u>

**NOTE 10 - INCOME TAXES** The District is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

**NOTE 11 - BEHAVIORAL HEALTH UNIT** The District established a Behavioral Health Unit (BHU) in 1996 and operates the BHU with the assistance of a third-party management company. The BHU provides programs for the treatment of emotional problems and psychiatric disorders and operates out of a ten-bed wing in the Hospital.

Carter Integrated Services (CIS) operated the BHU under the terms of a contract entered into by both parties effective August 15, 1998 and revised July 27, 1999. Under this contract, management services and all staff are provided by CIS. The District pays to CIS a management fee of \$490 per patient-day excluding indigent days of care. This contract is for a term of three years and is cancellable by either party with a 90-day notice.

**NOTE 12 - AD VALOREM TAX** The District levies taxes on real and business personal property located within LaSalle Parish's boundaries. Property taxes are levied by the District on property values assessed by the LaSalle Parish Tax Assessor and approved by the State of Louisiana Tax Commission.

The LaSalle Parish Sheriff's Office bills and collects property taxes for the District. Collections are remitted to the District monthly.

**Property Tax Calendar**

Millage rates adopted	September 8, 2001
Levy date	September 8, 2001
Tax bills mailed	On or about November 7, 2001
Total taxes are due	December 31, 2001
Levy date	January 1, 2002
Penalties and interest are added	January 15, 2002
Tax sale - 2000 delinquent property	May 2002

**Hospital Service District Number One of the  
Parish of LaSalle, State of Louisiana  
Notes to the General-Purpose Financial Statements  
September 30, 2002**

Assessed values are established by the LaSalle Parish Tax Assessor each year on a uniform basis at the following ratios of assessed value to fair market value:

90% land	15% machinery
90% residential improvements	15% commercial improvements
15% industrial improvements	25% public service properties, including land

A revaluation of all property is required after 1978 to be completed no less than every four years. The last revaluation was completed for the roll of January 1, 2001. Total gross assessed value was \$1,591,865 in calendar year 2001. Louisiana state law exempts the first \$7,500 of assessed value of a taxpayer's primary residence from parish property taxes. This homestead exemption was \$14,644,432 of the assessed value in calendar year 2001.

State law requires the sheriff to collect property taxes in the calendar year in which the assessment is made. Property taxes become delinquent January 1 of the following year. If taxes are not paid by the due date, taxes bear interest at the rate of 1.25% per month until the taxes are paid. After notice is given to the delinquent taxpayers, the sheriff is required by the Constitution of the State of Louisiana to sell the least quantity of property necessary to settle the taxes and interest owed.

All property taxes are recorded in the enterprise fund on the basis explained in Note 1. Revenues in this fund are recognized in the accounting period in which they become measurable and available. Property taxes are considered measurable in the calendar year of the tax levy. Estimated uncollectible taxes are those taxes based on past experience which will not be collected in the subsequent year and are primarily due to subsequent adjustments to the tax roll. Available means due or past due, and receivable within the current period, and collected within the current period, or expected to be collected soon enough thereafter to pay liabilities of the current period. The remaining property taxes receivable are considered available because they are substantially collected within 60 days subsequent to year-end.

The tax roll is prepared by the tax assessor in November of each year; therefore, the amount of 2002 property taxes to be collected occurs in December 2002 and January and February 2003. As a result, no property tax receivable for 2002 taxes is included on the accompanying balance sheet because it is not available within 60 days of the District's year-end.

Historically, virtually all ad valorem taxes receivable were collected since they are secured by property. Therefore, there is no allowance for uncollectible taxes.

The following is a summary of authorized and levied (tax rate per \$1,000 assessed value) ad valorem tax:

Parish-wide tax	Authorized Millage	Levied Millage	Expiration Date
Operations and maintenance	10	10	2004

HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE  
PARISH OF LABALLE, STATE OF LOUISIANA  
Orla, Louisiana

ALL ENTERPRISE FUNDS  
COMBINED BALANCE SHEET  
September 30, 2000

	Operations And Maintenance	Concession	Hardline Medical Center	Total
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents				
Cash, checking	\$ 11,404	\$ 8,308	\$ 28,342	\$ 48,054
Certificates of deposit	0	0	800,187	800,187
Total cash and cash equivalents	11,404	8,308	828,529	848,309
Receivables				
Patient services, net of allowances of \$1,820,918	0	0	2,168,847	2,168,847
Estimated third-party payer settlements	0	0	837,881	837,881
Disproportionate Share Pool Payments	0	0	480,585	480,585
Interest	0	0	18,812	18,812
Rent	210	0	0	210
Miscellaneous	0	351	0	351
Supplies	0	0	168,548	168,548
Prepaid expenses	0	0	12,837	12,837
Total current assets	11,614	8,659	4,117,279	4,137,952
<b>ASSETS WHOSE USE IS LIMITED</b>				
By agreement with third party payors for capital improvements and funded depreciation	0	0	54,887	54,887
Under revenue bond agreement				
Revenue bond and interest sinking account	0	0	120,878	120,878
Revenue bond reserve accounts	0	0	118,073	118,073
Depreciation and contingency fund	0	0	14,887	14,887
Total assets whose use is limited	0	0	288,725	288,725
<b>PROPERTY, PLANT AND EQUIPMENT</b>				
Land	0	0	4,818	4,818
Land improvements	3,817	0	38,570	38,388
Buildings	134,516	0	1,427,801	1,600,319
Equipment, furniture and fixtures	10,885	0	2,437,438	2,490,894
Less accumulated depreciation	(738,242)	0	(2,358,428)	(2,358,428)
Total property, plant and equipment, net of accumulated depreciation	32,875	0	581,899	614,809
<b>TOTAL ASSETS</b>	<b>\$ 44,489</b>	<b>\$ 8,659</b>	<b>\$ 4,707,004</b>	<b>\$ 4,760,152</b>

(Continued)

HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE  
PARISH OF LABALLE, STATE OF LOUISIANA  
Orla, Louisiana

ALL ENTERPRISE FUNDS  
COMBINED BALANCE SHEET  
September 30, 2002

Schedule 1

**LIABILITIES, EQUITY AND OTHER CREDITS**

**LIABILITIES**

**CURRENT LIABILITIES**

	Operations And Maintenance	Commodities	Residence Medical Center	Total
Accounts payable	\$ 0	\$ 0	\$ 815,700	\$ 815,700
Salaries payable	0	0	84,428	84,428
Accrued expenses	0	0	172,581	172,581
Current portion of capital leases	0	0	69,419	69,419
Accrued vacation payable	0	0	58,808	58,808
Total current liabilities payable from unrestricted assets	0	0	1,179,146	1,179,146

**Payable from assets whose use is limited**

Revenue/bonds payable	0	0	60,000	60,000
Accrued bond interest payable	0	0	37,371	37,371
Total current liabilities payable from restricted assets	0	0	97,371	97,371

<b>Total current liabilities</b>	<b>0</b>	<b>0</b>	<b>1,276,517</b>	<b>1,276,517</b>
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**NONCURRENT LIABILITIES**

Revenue bonds payable	0	0	595,800	595,800
Capital leases	0	0	82,880	82,880
Total noncurrent liabilities	0	0	678,680	678,680

<b>Total liabilities</b>	<b>0</b>	<b>0</b>	<b>1,955,197</b>	<b>1,955,197</b>
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**EQUITY AND OTHER CREDITS**

Contributed capital	0	0	1,087,737	1,087,737
Retained earnings:				
Reserved for revenue bond				
Sinking account	0	0	126,578	126,578
Revenue account	0	0	116,073	116,073
Depreciation and capital improvement	0	0	14,687	14,687
Unreserved	44,952	8,658	1,315,072	1,568,682

<b>Total retained earnings</b>	<b>44,952</b>	<b>8,658</b>	<b>2,566,330</b>	<b>2,117,939</b>
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<b>Total equity and other credits</b>	<b>44,952</b>	<b>8,658</b>	<b>2,195,067</b>	<b>2,176,278</b>
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<b>TOTAL LIABILITIES, EQUITY AND OTHER CREDITS</b>	<b>\$ 44,952</b>	<b>\$ 8,658</b>	<b>\$ 2,012,024</b>	<b>\$ 2,085,245</b>
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**HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE  
PARISH OF LABALLE, STATE OF LOUISIANA  
Orla, Louisiana**

**ALL ENTERPRISE FUNDS  
COMBINED STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN RETAINED EARNINGS  
For the Year Ended September 30, 2002**

Schedule 2

	Operations And Maintenance	Concessions	Handicar Medical Center	Total
<b>OPERATING REVENUES</b>				
Net patient service revenues	\$ 0	\$ 0	\$ 8,858,844	\$ 8,858,844
Contributions from Ambulance Service District	0	0	75,900	75,900
State of Louisiana, Chiropraportante Share				
Food Payments	0	0	400,821	400,821
Emergency Service Grant	0	0	4,238	4,238
Working machine commodities	0	3,400	0	3,400
Rental income	9,876	0	718,800	728,676
Cafeteria sales	0	0	10,339	10,339
<b>Total revenues</b>	<b>9,876</b>	<b>3,400</b>	<b>7,583,799</b>	<b>7,597,075</b>
<b>OPERATING EXPENSES</b>				
Early patient services	0	0	890,882	890,882
Nursing services	0	0	1,887,872	1,887,872
Other professional services	0	0	1,788,488	1,788,488
General services	4,588	0	944,488	949,076
Administrative and fiscal services	0	0	882,910	882,910
Employee benefits	0	0	281,760	281,760
Depreciation	6,487	0	121,081	127,568
Provision for bad debts	0	0	890,118	890,118
Interest expense	0	0	28,087	28,087
<b>Total expenditures</b>	<b>11,080</b>	<b>0</b>	<b>5,987,076</b>	<b>5,994,738</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(1,204)</b>	<b>3,400</b>	<b>1,596,723</b>	<b>1,598,919</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest revenue:				
Unrestricted assets	0	0	21,888	21,888
Assets whose use is limited	0	0	6,040	6,040
Other	0	0	6,784	6,784
<b>Total nonoperating revenues (expenses)</b>	<b>0</b>	<b>0</b>	<b>28,712</b>	<b>28,712</b>
<b>NET INCOME</b>	<b>(1,204)</b>	<b>3,400</b>	<b>718,800</b>	<b>718,800</b>
<b>RETAINED EARNINGS, BEGINNING OF YEAR</b>	<b>46,628</b>	<b>5,260</b>	<b>1,384,738</b>	<b>1,394,808</b>
<b>RETAINED EARNINGS, END OF YEAR</b>	<b>\$ 45,424</b>	<b>\$ 8,660</b>	<b>\$ 2,058,508</b>	<b>\$ 2,111,508</b>



**Hospital Service District Number One of the  
Parish of Lafourche, State of Louisiana  
Notes to the General-Purpose Financial Statements  
September 30, 2002**



HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE  
PARISH OF LA SALLE, STATE OF LOUISIANA  
Orla, Louisiana

ALL ENTERPRISE FUNDS  
COMBINED STATEMENT OF CASH FLOWS  
For the Year Ended September 30, 2003

	Operations And Maintenance	Concession	Healthcare Medical Center	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income (less) from operations	\$ 2,008	\$ 3,400	\$ 882,088	\$ 887,496
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Provision for bad debts	\$	0	731,430	731,430
Depreciation expense	6,487	0	121,001	127,488
Interest paid on capital and related financing activities	\$	0	29,827	29,827
(Increase) decrease in:				
Accounts receivable, patient services	0	0	(771,025)	(771,025)
Accounts receivable, third-party payor settlements	0	0	(487,475)	(487,475)
Accounts receivable, Disproportionate Share Pool Payments	0	0	(2,446)	(2,446)
Supplies	0	0	(54,272)	(54,272)
Prepaid expenses	850	0	(9,830)	(8,980)
Other	130	84	(79,847)	(79,633)
Increase (decrease) in:				
Accounts payable, trade	(581)	0	270,884	270,303
Salaries payable	\$	0	23,237	23,237
Accrued expense	\$	0	172,983	172,983
Total adjustments	\$ 4,898	\$ 94	\$ 18,475	\$ 20,467
Net cash provided by (used in) operating activities	\$ 4,821	\$ 3,494	\$ 608,658	\$ 617,973

(Continued)

HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE  
PARISH OF LABALLE, STATE OF LOUISIANA  
Orla, Louisiana

ALL ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
For the Year Ended September 30, 2012

Schedule 2

	Operations And Maintenance	Correction	Sanitar Medical Center	Total
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchase of property, plant and equipment	\$ (71,877)	\$ 0	\$ (45,558)	\$ (117,435)
Proceeds from sale of capital assets	0	0	0	0
Other revenues	0	0	5,704	5,704
Capital lease obligations:				
Principal	0	0	(58,148)	(58,148)
Hospital revenue bonds:				
Principal	0	0	(58,000)	(58,000)
Interest	0	0	(10,800)	(10,800)
Compensated absences	0	0	18,571	18,571
Net cash used in capital and related financing activities	<u>(71,877)</u>	<u>0</u>	<u>(158,273)</u>	<u>(230,148)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Decrease (increase) in restricted assets	0	0	(35,573)	(35,573)
Interest received	0	0	28,881	28,881
Net cash provided by investing activities	<u>0</u>	<u>0</u>	<u>(6,692)</u>	<u>(6,692)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(71,877)</u>	<u>0</u>	<u>(164,965)</u>	<u>(236,842)</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>18,344</u>	<u>4,881</u>	<u>70,857</u>	<u>94,082</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ (53,533)</u>	<u>\$ 4,881</u>	<u>\$ (94,108)</u>	<u>\$ (43,649)</u>

(Continued)



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## **Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards**

Board of Commissioners

Hospital Service District Number One

of the Parish of LaSalle, State of Louisiana

COLA, Louisiana

We have audited the general-purpose financial statements of the Hospital Service District Number One of the Parish of LaSalle, State of Louisiana, a component unit of the LaSalle Parish Police Jury, as of and for the years ended September 30, 2002 and 2001, and have issued our report thereon dated February 7, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America.

### **Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that is required to be reported under Government Auditing Standards.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

This report is intended solely for the information and use of the Board of Commissioners, management, and the Legislative Auditor of the State of Louisiana, and is not intended to be used and should not be used by anyone other than those specified parties.

*Allen, Green & Williamson, LLP*

ALLEN, GREEN & WILLIAMSON, LLP

Metairie, Louisiana

February 7, 2013

**Hospital Service District Number One  
of the Parish of Lachais, State of Louisiana  
Summary Status of Prior-Year Audit Findings  
For the Year Ended September 30, 2003**

**61-F1 FRA Loan Agreement**

**Initially occurred:** Fiscal year ended September 30, 2004.

**Condition:** The District is required to make monthly deposits into a sinking fund for revenue bond and interest payments and also into a contingency fund for capital improvements.

The District made only nine of the twelve monthly deposits required to the sinking fund. Also, only nine of the required twelve payments to the contingency fund were made.

**Corrective action taken:** The required deposits were made prior to year end.